

Message Text

UNCLASSIFIED

PAGE 01 RIO DE 03877 261420Z

70

ACTION ARA-10

INFO OCT-01 ISO-00 XMB-04 COME-00 INT-05 AID-05 CIAE-00

EB-07 FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 PA-02 PRS-01 /074 W

----- 040622

R 261239Z NOV 75

FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC 3063

INFO AMEMBASSY BRASILIA

AMCONSUL SAO PAULO

UNCLAS RIO DE JANEIRO 3877

DEPT. PASS EXIMBANK, USDOC FOR MEPD

E. O. 11652: N/A

TAGS: BR, BEXP, EIND

SUBJ: CSN STEEL EXPANSION PROGRAM

REF.: BRASILIA 0717

1. SUMMARY: COMPANHIA SIDERURGICA NACIONAL (CSN) IS WELL INTO OPENING AND REVIEWEING TECHNICAL PROPOSALS FOR EQUIPMENT FOR ITS PHASE III EXPANSION PROGRAM. OPENING OF COMMERCIAL ENVELOPES AND AWARDS TO SUPPLIERS IS EXPECTED TO COMMENCE IN FEBRUARY OF NEXT YEAR. END SUMMARY.

2. EMBASSY COMMERCIAL COUNSELOR AND MINERALS OFFICER CALLED ON CSN DIRECTOR AND VICE PRES. FOR ENGINEERING, COL. ANTONIO PENNA, TO DISCUSS STATUS OF BID OPENINGS FOR COMPANY'S PHASE III EXPANSION PROGRAM. IN ADDITION, EMBOFFS WISHED TO VERIFY REPORT RECEIVED FROM U.S. EQUIPMENT SUPPLIERS THAT CSN WAS NOT FOLLOWING PROCEDURE TENTATIVELY AGREED UPON IN JANUARY MEETINGS IN BRASILIA BETWEEN USG/US STEEL INDUSTRY SUPPLIER TASK FORCE AND GOB CONCERNING TWO-ENVELOPE BIDDING. COMMERCE WILL RECALL (PARA 2-F REFTTEL) THAT GOB STEEL COMPANIES AGREED TO TRY TO DEVELOP A PROCEDURE WHEREBY EACH BIDDER WOULD SUBMIT WITH HIS UNCLASSIFIED

UNCLASSIFIED

PAGE 02 RIO DE 03877 261420Z

TECHNICAL PROPOSAL AN INDICATION OF HIS PRICE. A RANGE OF SUCH

PRICES WAS TO BE MADE KNOWN TO ALL BIDDERS AT THE TIME OF THE OPENING OF THE TECHNICAL PROPOSALS. CSN (AND WE UNDERSTAND COSIPA AND USIMINAS AS WELL) DID PROCEED TO DEVELOP SUCH A PROCEDURE AND INCLUDED IT IN ITS INSTRUCTIONS TO BIDDERS.

3. COL. PENNA INFORMED EMBOFFS THAT TECHNICAL PROPOSALS (I.E. A ENVELOPES) HAVE NOW BEEN OPENED FOR ABOUT 70 PERCENT OF THE MECHANICAL EQUIPMENT ITEMS. THESE ITEMS INCLUDE HOT, COLD AND TEMPER MILLS; SLAB FURNACE; AND PAINTING LINE. OPENING OF REMAINING A ENVELOPES WILL CONTINUE THROUGH NEXT SUMMER. MAIN REMAINING ITEMS ARE ELECTROLYTIC, GALVANIZING AND PICKLING LINES; ELECTRICAL EQUIPMENT AND MINING EQUIPMENT. COL. PENNA EXPECTS OPENING OF B ENVELOPES (COMMERCIAL PROPOSALS) TO BEGIN NEXT FEBRUARY.

4. RE ESTABLISHED PROCEDURE FOR INDICATING RANGE OF PRICES AT TIME OF OPENING OF TECHNICAL PROPOSALS, COL. PENNA SAID A PROVISION OF THE INSTRUCTIONS TO BIDDERS COUPLED WITH CERTAIN NEW CIRCUMSTANCES CAUSED CSN NOT TO IMPLEMENT THE PROCEDURE AS ANTICIPATED. PROVISION STATES IN CONNECTION WITH C ENVELOPE

(COMMERCIAL PROPOSAL REVISED PRICE): QTE COMPANY SHALL NOT ACCEPT ANY INCREASE IN THE BID PRICE SET FORTH IN THE ORIGINAL COMMERCIAL PROPOSAL (I.E. B ENVELOPE) WHICH IS NOT DIRECTLY RELATED TO ANY SUCH MODIFICATIONS, ADDITIONS OR DELETIONS. BIDDER MAY IN THIS REVISION DECREASE THE BID PRICE QUOTED IN ITS ORIGINAL COMMERCIAL PROPOSAL TO THE EXTENT IT SO DESIRES, UNLESS THE COMPANY REPRESENTATIVE HAS GIVEN THE BIDDERS THE RANGE OF BID PRICES, IN WHICH CASE COMPANY WILL NOT ACCEPT ANY DECREASE IN THE ORIGINAL BID PRICE QUOTED UNLESS DIRECTLY RELATED TO MODIFICATIONS, ADDITIONS OR DELETIONS TO THE TECHNICAL AND COMMERCIAL PROPOSALS. UNQTE. COL. PENNA STATED THAT IN RECENT MONTHS CSN HAS LEARNED THAT AS RESULT OF COMPETITIONS ON PROJECTS ELSEWHERE IN WORLD, SOME SUPPLIERS MAY BE EXTREMELY ANXIOUS TO CAPTURE SHARE OF CSN MARKET. TO DO SO, SUPPLIERS MAY AT LAST MINUTE (BETWEEN OPENING OF A AND B ENVELOPES) WISH TO LOWER SUBMITTED BID PRICE. IN SUCH CIRCUMSTANCES, COL. PENNA STATED, CSN WISHES TO FEEL FREE TO ACCEPT THE LOWEST POSSIBLE PRICE. THEREFORE, THE PROCEDURE TO INDICATE TO ALL BIDDERS THE RANGE OF BID PRICES WAS NOT USED.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 RIO DE 03877 261420Z

COL. PENNA ADDED THAT IN NO CASE TO DATE HAS A U.S. OR ANY OTHER SUPPLIER RAISED THE ISSUE WITH CSN. (FYI: SIMILARLY, NO SUPPLIER HAS VOICED ITS CONCERN TO US. END FYI.)

5. COMMENT: UNDER THE SYSTEM DESCRIBED ABOVE, CSN CLEARLY HOPES TO USE C ENVELOPE TO DRIVE SUBMITTED BID PRICES IN B ENVELOPE EVEN LOWER. WHILE WE HAVE ALWAYS EXPECTED KEEN COMPETITION ON PHASE III OF BRAZIL'S STEEL EXPANSION PROGRAM, WE SHOULD NOW

PREPARE OURSELVES FOR SOME FIERCELY COMPETITIVE MANEUVERING
ON THE PART OF U.S. COMPETITORS. OUR MAIN CONCERN IN THIS
AREA IS "INFLATION INSURANCE" - THE PRODUCTION COST INSURANCE
SCHEMES AVAILABLE TO SOME OF OUR COMPETITORS (AS WE UNDERSTAND
IT, THE FRENCH, ITALIAN, U.K.). BY PROVIDING SUBSIDIZED
COMPENSATION FOR COST INCREASES IN EXPORT PRODUCTION, BIDDERS
WHO ENJOY SUCH INSURANCE WILL BE A IN A POSITION TO OFFER
LOW BIDS. ONE CASE THAT HAS ALREADY COME TO OUR ATTENTION
IS NOT RELATED TO ANY OF THE BID PACKAGES CITED BOAVE BUT
CONCERNS A STAINLESS STEEL FACILITY FOR WHICH ACESITA PUT
OUT BIDS EARLIER THIS YEAR. ACCORDING TO REPS FROM PRODUCTION
MACHINERY CORPORATION (PMC), FRENCH (FIRM OF DU JARDIN MONTBARD
SOMENAR) WON CONTRACT WITH BID PRICE 24 PERCENT LOWER THAN U.S.
BID. PMC INDICATED THAT IT HAD PUT IN VERY COMPETITIVE BID AND
COULD NOT EXPLAIN PRICE DIFFERENCE OF THAT MAGNITUDE. THIS
CASE IS CITED AS EXAMPLE OF WHAT MIGHT BE IN STORE FOR US AS
WINNING BIDS ON CSN PACKAGES ARE ANNOUNCED.
DEXTER

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EQUIPMENT, PROGRAMS (PROJECTS), PROPOSALS (BID), STEEL PLANTS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 NOV 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975RIODE03877
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750412-1004
From: RIO DE JANEIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975117/aaaaafks.tel
Line Count: 133
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 29 OCT 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 OCT 2003 by chicheje>; APPROVED <12 FEB 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CSN STEEL EXPANSION PROGRAM
TAGS: BEXP, EIND, BR, CSN
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006